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# USSR Report

INTERNATIONAL ECONOMIC RELATIONS

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26 May 1982

# USSR REPORT

## INTERNATIONAL ECONOMIC RELATIONS

No. 30

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## USSR WORLD TRADE

### SOVIETS DENYING THEIR OWN GOLD SALES

Frankfurt/Main FRANKFURTER ZEITUNG--BLICK DURCH DIE WIRTSCHAFT in German 8 Mar 82 p 8

[Report by "hi.": "Soviets Deny Gold Sales of Their Own--In the Market as Traders as Well--Clever Obliteration of Tracks"]

[Text] Frankfurt, 7 March--Unusual circumstances quite often require unusual measures. Last Friday the Soviets turned to European traders in gold with whom they entertain business relations, asking them to let it be known that for several weeks they had not sold any gold from their own production on the Western market. This is described as quite remarkable, but also as understandable because almost all reports have been stating the continuing stereotype Soviet "emergency sales" at least share the responsibility for the latest phase of the fall in the price of gold. The fact that those who followed the Soviet desire for enlightenment did not make any reservations, thus at least indirectly confirming the Soviet version from their own knowledge of the situation, gives indications which even skeptics cannot simply ignore. In this connection, the Schweizerische Bankverein, for examples, writes from Zurich: "Those commentators who are explaining the present debacle on the gold market, in a simplifying manner, with high sales by the Soviet Union, thus working with figures which have no relation to reality, are making it all too easy for themselves."

The tale that everything being offered by the Soviets in the way of gold on the world market hails from their own production persists. The fact is that the Soviets also trade gold on the world market--in fact, according to assurances by experts, far more cleverly and successfully than many a bank displaying its muscles in this field. This, traders complain, either is being carelessly kept quiet in many market reports (because quite a few writers do not bother to gain a deeper insight into the market structures) or is consciously being suppressed (because it opens the door to definitely convenient monetary and political fantasies).

When the Soviets trade, the Western buyer at first knows only in a very few cases whether it actually is Soviet gold involved. Only after the merchandise is physically delivered can the gold be identified. Then it may well turn out that it is gold from the production of South Africa, Ghana or Canada. As experts explain, this merchandise may come from so-called "trade inventories"

of the Soviets--in other words, may have been acquired previously on the Western market. Or it can hail from an arbitrage deal. Thus it reportedly is not at all unusual for the Soviets to sell their own gold, for example, in Zurich or Frankfurt while, at the same time, buying the same amount in London or Hong Kong. Like Western gold trade banks operating in this extremely discreet business, the Soviets know how to obliterate their tracks and to let as little as possible be known. There is good reason, it is being said, why Switzerland and Great Britain no longer publish any details about the categories of their customs statistics, which, in the view of traders, might cause generally unfounded presumptions not only concerning gold transactions.

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## USSR WORLD TRADE

### SOVIET TECHNICAL EXPORT ORGANIZATION DISCUSSED

#### Organization's President

Moscow APN DAILY REVIEW in English 30 Mar 82 pp 1-2

[Text] Moscow, March 29. TASS--"Technoexport has built 800 industrial projects in dozens of countries. This is its contribution to the development of the Soviet Union's economic relations with other states," said Yuri Chugunov, president of this Soviet foreign trade organization. He was speaking today at the USSR State Committee for foreign economic relations at a meeting to mark the 50th anniversary of Tekhnoexport's activities in the world market.

This foreign trade organization has been doing business with more than a hundred countries in the field of geological prospecting for oil, gas and solid minerals, oil production, and building light and medical industry enterprises, Chugunov went on to say. Over 80 oil and gas deposits, discovered with the help of Soviet specialists, have been developed abroad and 47 coal opencasts and mines, 5 metallurgical complexes, 16 mining establishments and 6 thermal power stations built.

One of the main areas of Tekhnoexport's activity is assistance to its foreign partners in the training of national personnel for different branches of their economies, Yuri Chugunov went on. During the years of its existence Tekhnoexport has helped other countries build, equip and put into operation 37 higher educational establishments and specialised secondary schools, 192 centres for training engineers and technicians, and 11 general-educational schools. In all, up to three and a half million specialists have been trained with the help of this Soviet foreign trade organization in European, Asian, African and Latin American countries.

"In our relations with our partners we have always adhered to the principles of equality and mutual benefit," Yuri Chugunov said in conclusion. "I should like to say that our organization enjoys well-deserved prestige in the international arena. It was awarded such international prizes as Gold Mercury and Africa Prize-82 for its active contribution to the development of economic cooperation with foreign countries.

## Power Engineering

Moscow APN DAILY REVIEW in English 13 Apr 82 pp 1-2

[Text] Moscow, April 12. TASS--The construction of power-generating facilities is one of the largest areas of the Soviet Union's economic cooperation with other countries, Yuri Smelyakov, president of the Soviet foreign-trade organization Technopromexport, said to a TASS correspondent. This organization, functioning under the USSR State Committee for Foreign Economic Relations, is giving assistance to foreign customers in carrying out all the necessary work in this field: engineering survey, designing and construction of power stations and supply of modern power-generating equipment. During its quarter-century operation in the world market, Technopromexport has helped build, or is building now, a total of over 200 power-generating projects in more than 30 countries of Europe, Asia, Africa and Latin America.

Technopromexport is taking part in the construction of two types of power stations, thermal and hydraulic, abroad. The total capacity of all hydraulic power stations built or being built abroad with the assistance of the Soviet foreign-trade organization now amounts to 12,000 megawatts, and that of thermal power stations to 44,000 megawatts. Working as subcontractors at Technopromexport's projects are also companies from third countries, including capitalist ones--Austria, Britain, Holland, Finland, France, the FRG, Switzerland, Sweden and others.

The Soviet Union attaches great importance to the development, on a stable long-term basis, of equal businesslike cooperation with developing countries, Smelyakov said. In recent years thermal and hydraulic power stations with a total capacity of 20,000 megawatts have been built or are under construction with the technical assistance of Technopromexport in such countries as Algeria, Egypt, Bangladesh, Jordan, Libya, Pakistan, Syria.

Technopromexport's strong economic links with its Indian partners offer a good example of fruitful cooperation. With the participation of Soviet building organizations the thermal power stations Neivieli, Obra and Korba and the hydraulic power stations Bhakra and Lower Sileru have been constructed in India with the participation of Soviet building organizations. At present, work is underway to build new power-generating facilities in India.

One important aspect of cooperation is assistance in the development of power-engineering to those countries which have no commercial oil and gas deposits of their own. In this case, thermal power stations fired by shale are built. One example of such a solution of the problem is the Timahdit thermal power station in Morocco. A feasibility report for building this station was prepared by Technopromexport in cooperation with the West German firms Koeckner, and Steinmueller as well as the Swedish company Asea and the Hungarian Transelektro.

The Soviet Union's cooperation with developing countries rests on the principles of mutual benefit and helps solve many economic problems confronting the young state, Yuri Smelyakov said in conclusion.

CSO: 1812/95

## USSR WORLD TRADE

### BRIEFS

1981 USSR GOLD SALES--Frankfurt, 2 April--The Soviet Union last year sold 250 tons of gold on the international market against 90 tons in 1980, a jump of 177 percent, the Dresdner Bank said here today. Wolfgang Roeller, a director of Dresdner which is a leading FRG gold trading bank, said the Soviet sales had helped to depress the gold market. Experts attributed the heavy Soviet selling to increased foreign currency needs, mainly to finance its aid to Poland and grain purchases from the United States. Total gold sales last year were 1,205 tons against previous 1,500. South African sales dropped to 650 tons from 675. Other Western countries sold 265 tons against previous 268 tons. Additional sales fell to 40 tons from 467 tons. NAB/AFP [Text] [Rangoon THE WORKING PEOPLE'S DAILY in English 4 Apr 82 p 6]

CSO: 1812/95



## USSR-CEMA TRADE

### BOOK ON COST ACCOUNTING IN CEMA CONTEXT REVIEWED

Moscow IZVESTIYA AKADEMII NAUK SSSR. SERIYA EKONOMICHESKAYA in Russian No 6, Nov-Dec 81 pp 149-151

[Review by P. G. Bunich of book "Khozraschet i Ego Razvitiye v Zarubezhnykh Stranakh SEV" [Cost Accounting and its Development in the Foreign CEMA Countries] by P. I. Kuligin, Nauka, Moscow, 1980]

[Text] A characteristic feature of the economic development of the USSR and the foreign European CEMA countries at the present time is a search for ways to increase production efficiency and improve the quality of work. Under these conditions, a further improvement of the management of the economy is taking on especial importance. It has to bring about the mobilization of the economy's reserves for increasing production and improving its quality without a substantial increase in the production resources which are used for this purpose.

In the 12 July 1979 Decree of the CC CPSU and USSR Council of Ministers "On Improving the Economic Mechanism" and in the decisions of the 26th CPSU Congress a great deal of attention is devoted to management on the level of associations and enterprises. The general direction of the search for an improvement of management here is in an expansion of the independence of the associations and enterprises, and of the rights and responsibilities of economic leaders.

The experience of the fraternal socialist countries is of substantial interest in this aspect. The problems being solved by them are in many respects similar. However, there are also quite a few distinctive characteristics in their economic management; for example, the dimensions and structure of the national economic complex, the degree of dependence upon foreign markets, the structure of utilized and of potential production resources, and so forth. The problems of an improvement of economic mechanisms in these countries are also important, which is reflected in the party and government decisions and in the materials of the congresses of the fraternal parties which took place in 1979-1981. These congresses summed up the results of economic management during the past five-year period and mapped out the tasks for 1981-1985, and frequently, until 1990.

The CEMA countries being considered here are characterized by an overall approach to improving economic management. However, in recent years, within the framework of this approach, in a number of countries a special emphasis is being placed on improving management at the level of economic organizations and individual

workers. The necessity is emphasized for the kind of restructuring of the system of relations at these levels which would make it possible to bring the ideas of the restructurings of the economic mechanism directly to workplaces, to bring about a wider development of the creative initiative not only of economic leaders and specialists, but also of the working masses, and to increase the stimulating functions of the economic mechanism in all places. This is connected with the necessity for measuring expenditures against the results of labor, and with the development of the planned use of cost relationships and cost accounting. For example, in the People's Republic of Bulgaria the essence of the measures being carried out to improve the economic mechanism is characterized by the term "economic approach"; that is, an increase in the independence and self-reimbursement of every economic organization.

The author of the book under review sets forth certain points of view on the essence and form of cost accounting, allies himself with one of them, makes an attempt to expand the understanding of it, and then analyzes the economic practice of the foreign CEMA European countries in this chosen aspect, frequently bringing the analysis to the point of the necessary generalizations and conclusions. Special chapters are devoted to the development in the CEMA countries of a system of indicators for evaluating the work of economic organizations and of a system of output prices and resource evaluations, and to the formation and distribution of the income of economic organizations and their workers. This, without doubt, is an important and interesting approach to research. A lot of new material is introduced into scientific turnover from the theoretical works and cost accounting practice of the foreign CEMA European countries which is well systematized and generalized.

The idea of a single, overall result of the work of an economic organization which is expressed in monetary form (profits or gross income) merits especial attention. The overall result unites all of the partial or intermediate results of an organization's work at all of the stages of the reproduction of output (from research to marketing, including exports), is formed in accordance with the principles of the equal rights of all types of work, including the unity of prices and taxes and equal possibilities for access to the resources used, and is distributed in accordance with the principles of the equivalence of exchange and social justice. This means that the principles of the equivalence of exchange and of the distribution of income in keeping with the amount of socially necessary expenditures and the results of labor operate within a framework which is determined by social factors and under the control of all of society. A single economic result can be the basis for the construction of a simple and effective system of material stimulation and, at the same time, respond to the requirements of social justice. However, the conditions under which this result is able to possess the necessary qualities and functions are not studied in the book. Increased demands upon the functions of money and upon commodity supplies for monetary income would seem to be particularly inevitable.

The idea of the unity of result is connected with the unity of prices, taxes, and of the rules for income distribution (Chapters IV-VII). It is shown in the book

that along with the prophecies of the unification of results into a single overall one, in the individual CEMA countries at least there are also phenomena of differentiation; that is, of a certain isolation of individual parts of the result (for example, profits from exports, an economy of materials, and so forth) and rules for distributing it which differ from one another somewhat. Each of these phenomena can be regarded as transient, although in principle at any moment some part of a result may exist which for one or another reason is isolated.

The monograph under review also contains a number of other similar points which are deduced from an analysis of the development work and experience of the individual CEMA countries. For example, the points concerning the normative function of price and the consideration of foreign trade (world) prices in domestic price setting, concerning cost accounting relationships regarding the receipt and use of foreign currency and labor power resources, concerning the influence of an economic organization's income on the income of individual workers, and so forth. Without touching upon this topic any more, let us note that the link between the cost accounting levers of management and the economic problems being solved, or, in other words, the effectiveness of the use of individual levers under the concrete conditions of the economic management of the countries could have been analyzed in more detail.

The concrete material is analyzed by the author from the point of view of the understanding of the essence and forms of cost accounting which is supported and developed by him. However, this analysis also represents an independent informational value. In principle, other points of view for an examination are conceivable, but if they are mentioned in the monograph, they are mentioned, unfortunately, only fleetingly. As a result, the impression arises of a certain narrowness and one-sidedness in the analysis. The author understands cost accounting as a system of relationships relating to a cost evaluation and the equivalent or proportional distribution of the expenditures and the results of economic management in the process of the socialist expansion of reproduction. (Pp 24-27) From here the conclusion logically follows that the forms of cost accounting depend upon the quality of prices (the validation of prices by value) and the distribution of income (in keeping with the labor of collectives and individual workers), and also that at the basis of the classification of the forms of cost accounting lie different combinations of the marketability and "non-marketability" of planned management. Here, such questions as the interconnection between the plan and cost accounting, the basic element of cost accounting, cost accounting at the different levels of management, and certain others are, unfortunately, not analyzed, if we disregard the simple indication that the relationships of property, the plan, and so forth influence cost relationships and through them (that is, indirectly) cost accounting. (P 27)

The monograph as a whole makes it possible to put together a definite, albeit not a full, but very interesting, idea about some of the theoretical work and the many years of cost accounting practice in the foreign CEMA European countries. Its publication can only be welcomed.

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## USSR-CEMA TRADE

### CEMA COUNTRIES' INTEGRATION EFFORTS VIEWED

Moscow APN DAILY REVIEW in English 3 May 82 pp 1-5

[Article by B. Rodionov: "CMEA Countries: The Onward Movement"]

[Text] The May Day festivities have been held in socialist countries in an atmosphere of creative upsurge. The 1982 May Day has again demonstrated the cohesion of working people around the Marxist-Leninist Parties, the indestructible fraternal internationalist ties cementing the peoples in the socialist world. Everywhere the May Day slogans glorified the unity and friendship of the countries of the socialist community, their determination to strengthen and defend socialist gains.

Now that American imperialism is again trying--by gross power methods--to change the course of history, to roll back socialism and to impose a new cold war and the nuclear-missile arms buildup fraught with a catastrophe for mankind, our common firm confidence in the final triumph of the great cause of Marx and Lenin, the cause of socialism and peace is assuming particular importance.

Experience confirms once again the great strength of the cohesion of our community. This cohesion multiplies the efficiency of our peaceful initiatives, which is evident from the great response to the proposals put forward by Leonid Brezhnev at the 17th Congress of the Soviet Trade Unions and at the festivities in Tashkent.

The cohesion of the socialist countries brings to nought any, even most sophisticated attempts to split the unity of the fraternal nations and to pit some of socialist states against others. The cohesion and solidarity displayed by the Soviet and other fraternal nations of the socialist community have helped the Polish people to repulse the violent attack of internal and external counterrevolution and now help our Polish friends overcome the consequences of the social, political and economic crisis. This is eloquently shown by the results of the recent visits by Polish Party and Government delegations to Moscow, Berlin, Prague and Budapest. The May Day festivities in Warsaw confirmed that the cause of socialism in Poland is in firm hands.

The sense of internationalist responsibility is deeply rooted in the minds and hearts of the working people of our community.

Turning to cooperation in the field of the power industry within the framework of the Council for Mutual Economic Assistance (CMEA), one can graphically see that CMEA member countries and their joint economic organization do not desire to establish an autarchy, as it is often claimed in the West, but continue to come out for all-European cooperation and for the materialization of the provisions of the Helsinki Final Act. Last year's session of CMEA in Sofia made a decision to work out a concept of the development of the CMEA unified power grids up to the year 2000 with due account of possible cooperation with West European power grids.

As it has been pointed out by Leonid Brezhnev at the 26th Congress of the CPSU, far be it from us to paint the picture of the present-day socialist world in exclusively radiant colours. The passage from extensive to intensive economic development with the involvement of ever larger material and labour resources, with the maximum saving of resources and the high efficiency of all economic links cannot be achieved overnight. It takes time and creative search.

The restructuring in the course of the onward movement now underway in the socialist countries has nothing to do with the crisis situation in the capitalist countries which has resulted in mass unemployment and galloping inflation. However, crisis phenomena in the West hinder international trade and, along with discriminatory measures of a political nature, affect East-West trade and economic contacts.

It is quite natural that in the present-day conditions socialist countries pay particular attention to extending mutual trade and economic ties. Economists have calculated that over 18 percent of the aggregate national income of the socialist countries is realized through these links. Under long-term trade agreements in the current five-year period the CMEA member countries will raise the goods turnover with each other and also with Yugoslavia by 38 percent (in comparable prices). It is worth noting that mutual deliveries of specialized products are to increase at priority rates--by 48 percent.

The socialist countries continue undeviatingly fulfilling the task set at the recent Party congresses: to turn the eighties into a period of intensive production, scientific and technical cooperation. The pressing need for such intensive cooperation has once again been emphasised by the impudent measures of pressure--the economic sanctions which Washington and some of its allies have resorted to under the pretext of the Polish events.

The long-term special purpose-oriented programmes for cooperation being implemented within the framework of the Council for Mutual Economic Assistance (CMEA) are being specified, being invested with material content. The painstaking work is nearing completion on concluding multilateral agreements translating the long-term programmes into the language of concrete business partnership. For instance, under the programme in the field of energy, fuel and raw materials, of the 55 planned agreements, 44 agreements have been signed; in the field of agriculture and food industry, 16 out of the 18; in the field of engineering, 93 out of 103; in the field of manufactured consumer goods, 16 out of 22, and in the field of transport, 18 out of 20.

The remaining agreements will be signed on the whole before the end of this year. The long-term programmes by themselves are, of course, not omnipotent, even in combination with the multilateral agreements. Experts in the Council for Mutual Economic Assistance point out, for example, that the implementation of the long-term purpose-oriented programme for cooperation in the field of agriculture and the food industry will make for substantial progress as regards the technical and technological aspects, but that it will not solve to the end the problem of fully providing the population with high-quality food products. In this direction--in pursuance of the decisions of last year's CMEA session--new comprehensive measures are being worked out in the Council's bodies.

The integration mechanism within the socialist community should be adjusted in such a manner so as to be able, without infringing upon the legitimate interests of any participating states to promptly give an effective answer to the major questions emerging in the process of work. These are, for example, questions of developing and introducing energy- and material-saving technologies, micro-processing techniques and industrial robots. Integration is bound to effectively influence the intensification of social production.

Giving their due to the achievements of socialist economic integration and to the coordination of national economic plans (the CMEA Executive Committee has already examined at its last meeting a draft programme for coordination of plans for the next five-year period), Communist Parties of the community countries speak up in full voice that there is an urgent need for taking new initiatives.

From the rostrum of the CPSU's Twenty-sixth Congress, a proposal was addressed to the leaders of fraternal countries that they should collectively discuss in the near future such issues as aligning the structures of economic mechanisms, further extending direct ties between ministries, amalgamations and enterprises participating in cooperation, and establishing joint firms. "Life itself has set the fraternal countries the task of complementing the coordination of plans with the coordination of economic policy as a whole," the CPSU Central Committee said in its resolution on the Sixtieth Anniversary of the USSR. These proposals meet with support in the countries of the socialist community.

The scope of studying the specific experience and economic practices of fraternal countries is growing. "It will be necessary to considerably improve guidance of the economy with due account for the experience and constructive initiative of our people, with due account for everything that is the best in the experience of the fraternal socialist countries, and also of the developed capitalist states," Leonid Brezhnev pointed out.

The holidays are drawing to a close; they are to be followed by working days again. The socialist world continues its historic ascent.

(Izvestia, May 2. Abridged.)

CSO: 1812/94

## USSR-CMEA TRADE

### DEVELOPMENT OF CMEA COOPERATION SPOTLIGHTED

Moscow NEW TIMES in English No 17, 82 pp 18-20

[Article by Oleg Bogomolov]

[Text]

In the late 1970s and early 1980s a new situation emerged in the economic development and co-operation between the member countries of the Council for Mutual Economic Assistance (CMEA) and in the economic relations between the East and the West.

What is now taking place in the European socialist countries may be characterized as the transition from the extensive economy of the past to modern intensive economy. This transition is in itself a fairly complicated process. Suffice it to recall that a mere expansion of the output of fuel and raw materials today requires much bigger outlays than before. The CMEA countries, with 10 per cent of the world's population, account for up to 30 per cent of the world output of electric power, oil, natural gas, coal and steel. Moreover, in the 1970s the time of cheap energy and raw materials ended, and the influx of new labour power sharply declined. Economic growth now depends almost entirely on higher productivity and on the efficient use of the available resources. Overcoming a certain inertia, the socialist economy has entered this new stage.

Western observers hastened to describe the problems involved as "an economic crisis within the CMEA." But conclusions of this kind, being far from the truth, may lead to erroneous forecasts.

In spite of the difficulties involved in introducing the new process, which already began in the 1970s, the CMEA economies are developing much more dynamically than those of the European Economic Community (EEC). Between 1971 and 1981 the national income of the CMEA countries went up by 70 per cent and that of the EEC countries by 30 per cent. The year 1981 was not particularly favourable either for the socialist community or for the West. Nevertheless, the results of that year indicate that the adaptation of the socialist economy to new, harsher conditions is proceeding quite successfully.

Changes are also under way in the economic co-operation between the CMEA countries. The policy of socialist economic integration has made for a fairly high degree of co-operation between the national economies. This can be seen if only from the value of reciprocal deliveries of goods and services, estimated at an average of more than 18 per cent of the aggregate national income of the CMEA countries. Bulgaria, Hungary, the German Democratic Republic and Czechoslovakia supply the CMEA market with 30 to 40 per cent of the machines and equipment they produce. The socialist countries are taking part in large-scale joint projects that have few parallels in

world practice. Among them are long-distance pipelines, power transmission lines, atomic power stations and ore concentration mills. As distinct from the EEC, which imports half of its fuel from third countries, the socialist community provides 90 to 95 per cent of the power resources and other vital raw materials it needs. The supply of fuel and raw materials, guaranteed by long-term agreements and plans, is a considerable advantage in our time full of all manner of surprises.

The extension of economic integration in the 1980s and 1990s gives rise to a number of new problems. First, the present concept of the division of labour has had to be revised, primarily because the possibilities for increasing the export of some fuels and raw materials from the Soviet Union are limited. This is explained by the development of mineral deposits located far from the central part of the country, which involves bigger capital investment, transport costs, etc. Trade between the CMEA countries can, therefore, be expanded mainly by promoting the international specialization and co-operation in the production of finished articles, units and components. Considerable experience has already been gained in this field. Suffice it to recall such large international projects as the production of electronic computers, equipment for atomic power stations, cars, and oil-refining equipment. It is now necessary to venture farther afield.

Second, due account must be taken of the aggravation of the international situation and the critical state of the world capitalist economy. The cold-war winds blowing from the United States are worsening the atmosphere for East-West trade. This is all the more alarming, since difficulties of a purely economic nature arise here.

These include first of all settlements with the West in hard currency. At a time when the U.S. is boycotting trade deals, the payment of current debts and interest on them becomes a difficult problem for the CMEA countries. We have to revise our economic strategy also because the depth of the impending economic crisis in the West was obviously underestimated.

In the early 1970s the business slump and the slackening of orders in many branches of industry compelled European and American banks to look hastily for profitable openings for investment and made them responsive to credit requests from CMEA countries. However, the repayment of credits requires normal conditions for CMEA export to the Western market. But instead of normal conditions, protectionism and the discrimination of socialist countries are being applied on an increasing scale. Moreover, in an attempt to "punish" the Soviet Union and some other CMEA countries, further restrictions are being introduced on the import of many goods from these countries and on the supply of modern technology to them. The risk of industrial co-operation with Western firms has become evident, and hence a more cautious attitude to this co-operation has to be taken.

Thus, in their internal development and in foreign ties the CMEA countries are facing many new and difficult economic tasks. But these are problems that have little in common with the ills of modern capitalism, such as stagnation and a slump in production, rising inflation and unemployment. Nevertheless, in view of the radical change in the conditions and factors of economic growth, the CMEA countries will, in the current decade, have to amend their economic policy methods, their planning practice, and their economic thinking in general.

Experience shows that the most responsible part of economic management is the formulation of long-term strategic goals. Miscalculations in economic strategy (such as wrong priorities in the distribution of capital investment between branches, in foreign economic ties and in the rates of growth and the pattern of consumption) can, in the context of centralized economic planning, prove particularly damaging.

The lowering of the share of material- and power-intensive processes is one of the main trends of the economic strategy of most CMEA countries in the 1980s. In the iron and steel industry, for instance, this means orientation on increasing the production of high-grade steel



and rolled metal. Other industries will have to install additional capacities for the "secondary" and further processing of their primary product, whether metal, oil or hides.

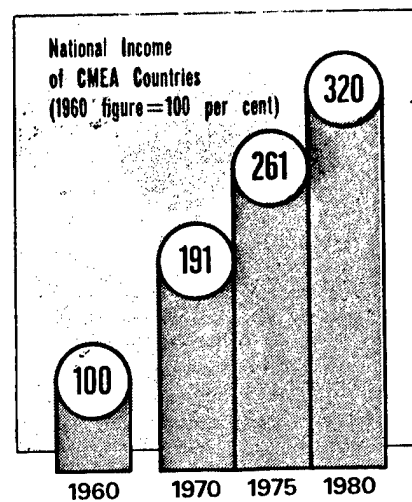
An important part in the structural changes to be effected in the 1980s and 1990s is assigned to machine building and to the accelerated development of a number of its branches. It is planned, for instance, to manufacture new equipment for open-cast mining, for long-distance pipelines, the overall mechanization of some agricultural operations, the food-processing industry, the mechanization of manual labour, especially in construction, cargo handling and trade.

We are impelled to speed up the process of structural changes also by Washington's "sanctions" of various kinds.

The expansion of agricultural output in the Soviet Union and other socialist countries should also be regarded as a central task of their economic strategy. Energetic measures are being taken to ensure a harmonious development of the agro-industrial complex (field crop growing, livestock breeding, storage and processing) and a rise in labour productivity. These efforts will bring ever greater results and it can, accordingly, be expected that the import of grain from capitalist countries will decline and the share of agricultural products in CMEA trade increase.

Prime attention in the long-term economic strategy is given to restoration of balanced economic development in a number of CMEA countries. Most important is a proper correlation between the growth of energy consumption in the economy and the rates of general economic development, between the rise in incomes and the provision of consumer goods and services on the home market, and a sound balance of payments.

A number of CMEA countries contain investment growth in order to ensure the balanced development of their economies. The plans of most CMEA countries show that in the 1981-85 period the rates of their economic growth will fall somewhat.



At the end of the 1980s, after the structural and other changes in their economies, conditions for a more dynamic development will be created.

The CMEA countries have great possibilities for raising output through more economic use of raw materials, energy and manpower. To tap these possibilities, they have been carrying out, since the mid-1960s, reforms of economic management. These reforms are now assuming a more radical character. The state budget financing of investments is being reduced while the financing of investments through bank credits is being extended. State subsidies to unprofitable enterprises are being cut to the minimum, while the growth of wages is being made dependent on the results of the commercial performance.

The reforms help to increase the economic independence of enterprises. At the same time, the state is tightening control over the observance by enterprises of

financial regulations. The reforms also envisage improvement of centralized state planning designed to determine the main economic proportions, and the fulfilment of plans with the help of all economic levers available to the state (credits,

prices, taxes and financial norms), and not only by setting targets for the enterprises.

Speaking of the prospects of co-operation among the CMEA countries in the 1980s, I would like to stress that the long-term strategy of this co-operation, formulated ten years ago and recorded in the Comprehensive Programme of integration, has proved correct. This strategy was further concretized in the long-term programmes of co-operation in the major spheres of material production and in bilateral general plans of specialization of production. Now that the intensification of economic development has become an urgent necessity, new initiatives are required, and a number of relevant proposals have been advanced at recent Party congresses. The CMEA countries have agreed to hold an economic summit in order to outline ways of more effective economic co-operation.

It is proposed that the co-ordination of the five-year economic plans of the CMEA countries should be supplemented by the co-ordination of their economic policies as a whole. Without such co-ordination it is difficult to outline the correct perspective for joint effective solution of the fuel and energy, raw materials and food problems. Each of these problems has long transcended the bounds of individual states and therefore requires a co-ordinated strategy. This also applies to scientific and technological progress, which is the main lever of greater economic efficiency in the 1980s and 1990s.

Of course, the best proposals for improving the production structures of the CMEA countries and extending co-operation among them may remain mere wishful thinking unless they are buttressed by appropriate organizational and economic measures. In the opinion of the countries of socialist integration, much will depend on the growth of the role of the transferable ruble as the collective currency of the CMEA countries and on the improvement of prices in reciprocal trade. The further extension of direct ties between enterprises and industrial

associations of the CMEA countries and the search for the best forms of scientific, technical and economic activity, for instance by establishing international firms, also serve our common interests. We have not yet acquired much experience in this kind of co-operation, and its economic and legal mechanism has still to be adjusted. One thing is clear, however: the establishment of joint firms and the promotion of direct ties can help tap big reserves in the sphere of international specialization and co-operation of production.

All this has a direct bearing on the drawing together of the national systems of planning. The socialist countries do not impose any models of such a system on each other. They want the improvement of the national systems of planning to facilitate, not impede, the participation of each country in economic integration.

It may be assumed that the attitude of socialist states to their business co-operation with Western countries in the 1980s will change under the pressure of circumstances. However, their desire to expand this co-operation on the basis of mutual advantage and mutual respect of interests will remain unaltered. The tendency to reduce East-West economic co-operation does not accord with the demands of the future. The CMEA countries are opposed to it. For one thing, they have no intention of paralyzing credit relations with the West.

In their economic ties with the West the socialist countries want to increase the share of finished products in their exports. The pattern of their imports may be rationalized by cutting down the import of food, and a number of materials and equipment the production of which the CMEA countries propose to organize through mutual co-operation. There are weighty arguments in favour of importing not ready-made machines and other industrial equipment, but complete plant for their production, or buying the respective licences.

This is the most likely reply of the socialist community to the economic challenge of the 1980s.

## TRADE WITH INDUSTRIALIZED COUNTRIES

### SOVIET-FINNISH TRADE TIES DISCUSSED

#### Interview With Finnish Minister

Moscow SOTSIALISTICHESKAYA INDUSTRIYA in Russian 6 Apr 82 p 3

[Interview with E. Ollila, the minister of trade and industry for the Republic of Finland, on the occasion of the 34th anniversary of the signing of the Soviet-Finnish Treaty of Friendship, Cooperation and Mutual Assistance by a SOTSIALISTICHESKAYA INDUSTRIYA correspondent; date and place not specified]

[Text] Today is the 34th anniversary of the signing of the Treaty of Friendship, Cooperation and Mutual Assistance between the USSR and Finland. In connection with this illustrious date, our correspondent requested E. Ollila, the minister of trade and industry for the Finnish Republic -- who was in Moscow -- to answer a number of questions.

[Question] In your opinion, what is the significance of the treaty which was signed in 1948?

[Answer] As time has shown, this treaty has become a reliable foundation for developing comprehensive relations between Finland and the Soviet Union. Over the course of almost three and a half decades, the principles, which were stated in it, have strengthened the atmosphere of trust and contributed to the expansion of ties between the two countries in the political, economic and other areas. The treaty has not lost its timeliness even now. It is possible to say with confidence that it answers the vital interests of both Finland and the Soviet Union.

The regular meetings of both countries' leaders are making an important contribution to the strengthening of our mutual relations. M. Koivisto, president of the Finnish Republic, recently made an official visit to the Soviet Union. His talks with L. I. Brezhnev once again affirm the non-transitory value of our good-neighbor relations. In a joint communique, the sides again pointed out that the foreign policy course of Finland -- "the Paasikivi-Kekkonen line" which was set down in the 1948 treaty -- guarantees the steady development of friendship and cooperation with the Soviet Union.

As minister of trade and industry, I am especially pleased that a great deal of attention was devoted during the visit to questions concerning the expansion of trade and economic cooperation between Finland and the USSR. The parties emphasized the importance of existing agreements, especially the long-term program.

[Question] Please tell me in a little more detail about the prospects for mutual cooperation within the framework of this program.

[Answer] During the current five-year plan, the trade turnover between Finland and the USSR should reach 18-20 billion rubles. This is a vast sum; however, it is undoubtedly feasible.

Recently, I have had occasion to frequently meet with the directors of Finnish firms, and therefore, I am expressing the common opinion that Soviet orders have significant importance for Finnish industry. This especially applies to such branches as shipbuilding, the production of equipment for the forest, woodworking and wood-pulp and paper industries; the metalworking industry; and a number of others. The long-term program provides for a further growth in the delivery of machines and equipment from Finland to the USSR during the current five-year plan.

At the same time, we are attaching a great deal of importance to increasing purchases of Soviet machines and equipment which are in demand in the Finnish market. Finland is now the largest user of this equipment among the capitalist countries. Cars, trucks, electric locomotives, machine tools, and other items are being imported from the USSR. Cooperation in the production of wood-pulp and paper, ship and drilling equipment and of electrical drives for electric locomotives and in a number of other branches of industry is being expanded. Opportunities for cooperation in the markets of third countries are being examined. Together with our Soviet colleagues, we are searching for opportunities to balance the mutual deliveries.

The realization of large scale projects is making a considerable contribution to the development of economic ties. We are talking about the construction of industrial and other installations, primarily on the territory of the Soviet Union. This spring, it is 10 years since the construction of the Svetogorskiy Wood-Pulp and Paper Combine started in the USSR. During these years, the modern buildings of a cable-insulating paper factory and a plant for the production of cellulose have grown up here. Finnish firms are now erecting the third phase of this enterprise. At the same time, housing, a hotel, a kindergarten, and other projects are being built in the city.

The cooperation experience, which has been accumulated, has permitted Finnish firms to take an active part in the erection of the Kostomukshskiy mining enrichment combine. Construction work is going successfully, and the first phase of the enterprise will begin to put out finished products in 1982.

These installations have rightfully become symbols of Finnish and Soviet trade and economic cooperation.

[Question] What importance does economic cooperation with the Soviet Union have for Finland?

[Answer] The Soviet Union has been Finland's chief economic partner since 1974. From year to year, the growth in the mutual commodity turnover opens up a continuously expanding market in the Soviet Union for many branches of Finnish industry. Trade with the USSR is free of business fluctuations and, therefore, is an important stabilizing factor for our country's economy. Thanks to this, Finnish industry can adapt more successfully to situations in world markets.

Cooperation with the Soviet Union is also important in solving our internal problems. I especially have in mind unemployment. According to estimates, Finnish-Soviet trade provides work for up to 150,000 individuals in our country. The overwhelming majority of Finns are in favor of a broad expansion of economic ties with the Soviet Union.

#### Soviet-Finnish Symposium

Moscow EKONOMICHESKAYA GAZETA in Russian No 16, Apr 82 p 20

[Article by I. Mel'nikov: "Soviet-Finnish Symposium"]

[Text] On 5-6 April, the days for celebrating the 34th anniversary of the Treaty of Friendship, Cooperation and Mutual Assistance between the USSR and Finland, a Soviet-Finnish symposium on trade and economic cooperation questions was held in Helsinki in the "Finland" Palace. The symposium was organized on the initiative of KAUPPALEKHTI, the newspaper of Finnish business circles, and EKONOMICHESKAYA GAZETA.

Representatives from Finnish trade and industrial circles, the USSR Ministry of Foreign Trade, the State Committee for Foreign Economic Relations, the Chamber of Commerce and Industry, leading foreign trade associations, and the different information organs discussed the status and prospects for the development of trade and economic relations between both countries and of informational activity.

E. Rekola, the Finnish minister of foreign trade, opened the symposium. A. F. Rumyantsev, editor-in-chief of EKONOMICHESKAYA GAZETA, and A. Tuominen, editor-in-chief of KAUPPALEKHTI, spoke in the name of the symposium organizers.

On the Finnish side, A. Kar'yalaynen, chairman of the Finnish department of the Permanent Intergovernmental Soviet-Finnish Commission for Economic Cooperation; E. Ollila, minister of trade and industry; O. Vitol, deputy secretary of state in the Finnish Ministry of Foreign Affairs; minister S. T. Lekhto, managing director of the "Partek" firm; K. Kayramo, managing director of the "Nokia" firm; and P. Kherlin, managing director of the "Kone" firm, presented reports to the plenary session.

N. N. Smelyakov, USSR deputy minister for foreign trade; N. G. Yakubov, section chief in the State Committee for Foreign Economic Relations; Yu. V. Piskulov, a deputy administration chief in the USSR Ministry of Foreign Trade; M. V. Gubanov, a USSR trade representative in Finland; and O. Ye. Rumyantsev, general director of the All-Union "Lenfintorg" Association presented reports in the name of Soviet foreign trade and economic organizations.

On the second day of the symposium's work, its participant continued to discuss the reports in sections.

In the first section, representatives of Finnish business circles and Soviet foreign trade organizations discussed specific questions concerning the development of trade and economic cooperation. O. S. Kropotov, general director of the All-Union "Sudoimport" Association; E. A. Alyautdinov, deputy general director of the All-Union "Prodintorg" Association; Yu. P. Ledentsov, general director of the joint Soviet-Finnish "Konela" Society; V. G. Gulitskiy, general director of the joint Soviet-Finnish "Koneysto" Society; L. A. Shushpanov, general director of the joint Soviet-Finnish "Teboyl" Society; and V. G. Zhilonov, director of the technical and commercial bureau of the All-Union "Prommashimport" Association in Helsinki, spoke during the section's session which took place under the chairmanship of Minister T. Khorn, deputy chairman of the Finnish department of the Permanent Intergovernmental Soviet-Finnish Commission for Economic Cooperation.

The participants in the second section discussed questions concerning advertising and informational activity in order to provide all conceivable assistance to the trade and economic cooperation between the USSR and Finland. D. V. Valovoy, deputy editor-in-chief of the newspaper PRAVDA; N. V. Masyukov, general director of the All-Union "Vneshtorgreklama" Association; V. M. Korsikov, general director of the All-Union "Ekspotsentr" Association; L. K. Garusov, general director of the All-Union "Sovintsentr" Association; B. S. Vaganov, rector of the USSR Ministry of Foreign Trade Academy of Foreign Trade; and V. D. Malakhov, deputy general secretary of the Finnish-Soviet Chamber of Commerce spoke during the section's session which took place under the chairmanship of Ya. M. Yansson, editor-in-chief of the newspaper KHYUVYUDSTADSBLADET. Editors-in-chief of Finnish newspapers, economic journalists, managers of informational sections in Finnish firms, and the directors of exhibition firms and advertising bureaus participated in the work of the section.

Upon the conclusion of the sections' work, reports on the work of the sections were heard and the results of the symposium were summed up during a final plenary session.

The members of the Soviet delegation had numerous meetings with the representatives of the Finnish firms and economic organizations.

In the opinion of its participants (450 individuals took part in the work of the symposium), the holding of this first joint symposium in which representatives of business circles and the mass information media participated is contributing to a broader exchange of mutual information and to the improving of effectiveness in the trade and economic relations between both countries.

## Detailed Overview of Symposium

Moscow EKONOMICHESKAYA GAZETA in Russian No 17, Apr 82 pp 20-2

[Article: "The USSR-Finland: Broad Prospects for Cooperation"]

[Text] As has already been announced, a Soviet-Finnish symposium on trade and economic cooperation questions was held in Helsinki on 5-6 April. The main content of the reports, which E. Rekola, the Finnish minister of foreign trade; A. Kar'yalaynen, chairman of the Finnish department of the Permanent Intergovernmental Soviet-Finnish Commission for Economic Cooperation, and N. N. Smelyakov, USSR deputy minister of foreign trade, presented during the symposium, is published below.

### Good Neighborliness, Mutual Benefit

In opening the symposium which was organized by the newspaper KAUPPALEKHTI, which is put out in Helsinki, and by EKONOMICHESKAYA GAZETA, which is published in the Soviet Union, E. Rekola, the Finnish minister of foreign trade pointed out that it is one of the shining examples of expanding cooperation in the various fields of public life of our countries.

The sum total of the good relations between Finland and the Soviet Union serves as a favorable precondition for today's symposium, E. Rekola continued. It is certainly far from accidental that the holding of the symposium coincided in time with the celebration of the anniversary of the Treaty of Friendship, Cooperation and Mutual Assistance which is so important for each of our countries. You see, this treaty is a solid base for both the development of our trade relations and for the development of economic cooperation in the broadest meaning of this word. The esteemed symposium participants, who have assembled here, have an extremely favorable opportunity to discuss questions concerning trade between Finland and the USSR from various points of view.

Our economic relations are now many-sided and vast. It is completely natural that problems, which we always try to resolve in a spirit of good mutual understanding, may arise during the process of developing cooperation. Since representatives of extensive business circles and the corresponding foreign trade association and employees who are responsible in both countries for the conduct of trade have gathered here at this time, our meeting has splendid opportunities to examine many questions concerning mutual trade, including those which are of concern to various levels.

Mention of the magnitude of our trade is really not without foundation. According to statistical foreign trade data for the past year, we continue to be in second place among the Soviet Union's Western trade partners. Statistical data, which has been recently published in the Soviet Union, shows that our trade turnover with the USSR reached 5,013,000,000 rubles and that our exports even exceeded the export level of the FRG to the Soviet Union. Moreover-- in my estimation -- we are still continuing to be the largest Western supplier of machinery and equipment to the Soviet Union. I cite these facts as a reply to those remarks in which the

increase of the proportion of Soviet Union trade in the overall trade of Finland is at times emphasized by various parties. Our trade also has definite importance for the Soviet Union. The intensity of our trade with our eastern neighbor must be hailed both for national economic reasons and because of the economic slump in the Western countries. It has helped us to preserve a relatively high level in our overall economic activity.

The foreign trade statistical data of the Soviet Union shows that our imports from the Soviet Union last year grew at far from the same rate as our exports. Our foreign trade representatives have already jointly examined this problem. At the end of this month, they will meet together again and discuss what results have been achieved and what still remains to be done.

Persistent and purposeful work is required from all of us. During this, an unbiased examination of all proposals is necessary. This pertains both to the desire to increase imports and to the stabilization of exports within the framework of the protocol on commodity turnover for the current year.

During the recent visit of M. Koivisto, president of the Finnish Republic, to the Soviet Union, it was pointed out that the growing Soviet-Finnish trade turnover in practice demonstrates the long-term nature of the economic cooperation. At the same time, it shows that the bilateral treaty base and the clearing system of accounts are creating good opportunities for developing trade.

When considering the prospects for the next several years, we must also think about expanding our exports. This concerns the entire spectrum of our exports -- from large projects to small deliveries of consumer goods. Under these conditions, enterprises must exert special effort to preserve their ability to compete and their technical standards. The state authorities must also do everything possible to preserve the ability of our exports to compete, maintaining in particular a stable rate of exchange for the Finnish mark. The situation is changeable, and the only way to adapt to it is to preserve the structural flexibility of our economic life, high technical standards and the ability to compete.

In conclusion, Minister E. Rekola wished the symposium participants successful work.

#### The Development of the Economy and Soviet-Finnish Trade

A. Kar'yalaynen, chairman of the Finnish department of the Permanent Intergovernmental Soviet-Finnish Commission for Economic Cooperation and director general of the Bank of Finland, dwelt in detail in his report on three questions: the prospects for the development of the Finnish economy during the next few years; the internationalization of the country's economy; and the importance of Soviet-Finnish trade for both countries.

In discussing the prospects for the development of the Finnish economy during the first half of the Eighties, A. Kar'yalaynen said that it is necessary to state that we have recently come to more modest estimates of the prospects for its growth during the next few years. We have again entered a period of comparatively slow growth although economic development is still relatively balanced. No significant worsening is being observed in foreign economic relations and in the various branches of internal economic life. A relative balance of revenues and expenses still exists in various branches. This in itself is one of the consequences of relatively slow economic growth.



The Finnish bank is carefully watching the development of business conditions based on the data which it has available about the country's economy and the international economy. We are not publishing any forecasts but, when necessary, we will correct existing estimates based on facts.

I would like to cite several figures which give an idea of how the prospects for Finland's economic development in the near future are now imagined.

The growth in gross national product (GNP) was about one percent in 1981. Based on available data it will be zero or about 0.2 percent this year. Next year, the GNP may grow by 1.5 percent. This is a little bit better than the current year although the forecast for an acceleration of growth rates are based on an unreliable foundation. It is expected that the world's economy will enter an upward phase in 1984, and Finland's economic growth may reach 4-5 percent as a result of this.

At the present time, it is thought that the indicator of trade conditions, that is, the ratio of export and import prices which has important significance when analyzing opportunities for economic growth, will develop in a direction which is favorable for us. Based on estimates, this indicator will improve by four percent in 1982.

With a balanced development, Finland's currency reserves -- I am speaking about converted currency reserves -- will be maintained at a relatively good level -- at a level equal to the cost of two-three month's of imports. From an international point of view, this is a rather good indicator. The reserves of non-converted, especially clearing, currencies (naturally this is a somewhat different phenomenon) will remain positive primarily thanks to trade with the Soviet Union.

Over the course of the past 10-15 years, a significant internationalization of our economy has taken place. Under the internationalization of the economy, I first of all understand the capital investment of foreign enterprises in Finland or of Finnish enterprises abroad. Although progress is being observed in this respect, Finland is nevertheless at a relatively modest level. For example, almost one billion Finnish marks were invested at the end of last year in Finland in foreign enterprises, that is, enterprises with a greater than 20 percent share of foreign capital. At the same time, more than one billion Finnish marks were invested abroad in Finnish enterprises, that is, enterprises with a greater than 20 percent share of Finnish capital. Thus, foreign capital investments in Finland and Finnish capital investments abroad were approximately equal in 1981. Of the 500 foreign enterprises existing in Finland, approximately half are Swedish. The remaining ones belong to other countries.

It is difficult to determine exactly how significant a factor in the development of Finland's economy trade with the Soviet Union is. In any event, its present level provides a significant part of GNP growth -- a part which we did not even dream about in past good years. In other words, the growth in GNP, which was one percent last year, would have been significantly less or even zero if there had not been a substantial growth in trade with the Soviet Union. Trade with the Soviet Union also explains the fact that Finland outstripped many other industrially developed countries of the West with respect to rates of growth during the last years of the past decade.

Thanks to trade with the Soviet Union, Finland was able to overcome the effects of the two oil crises of the Seventies considerably easier than other oil importing countries because we were able to quickly pay the increased oil account with deliveries of Finnish goods to the USSR. The growth in prices of Finland's export products in trade with the East satisfactorily followed the development of prices in exports to the Western countries whether we talk about the products of machine building, shipbuilding and the forest industry. The recently decreased oil prices mean a decrease in production costs in the country. This is improving the pre-conditions for Finland's economic growth.

Trade with the Soviet Union, which is one-fourth of our foreign trade turnover, also affects the providing of employment in Finland through many channels, especially in machine-building and shipbuilding whose largest firms have a significant number of subcontractors throughout the entire country which produce items and units for the products being exported to the USSR. By their purchases of lumber, the enterprises of the forest and woodworking industries contribute to providing employment in forestry operations and in the transportation of the wood. During recent years, the Soviet Union has begun to purchase consumer goods in growing quantities in Finland. Small and medium enterprises are participating in this trade to an ever greater degree. This is also having a positive effect on the growth in employment. The construction of various projects in the USSR has had considerable influence on providing employment in the country. In addition, Finnish business owners and workers have acquired valuable experience and knowledge which interest the appropriate enterprises in other countries who are trying to enter the Soviet market.

Whether one is talking about the export of goods, services or technology to the Soviet Union or about their importation into Finland, this work is extremely interesting since the trading partners belong to different social economic systems and one of them is a large power and the other -- a small country. It was interesting both in a theoretical and in a practical respect when it was necessary to look for correct forms, methods and ways which would bring the best results to each party. It would not be an exaggeration to say that the activity in developing Soviet-Finnish economic relations was -- in its uniqueness -- the work of trailblazers and had historic significance and a positive effect on international relations in the broad sense.

In conclusion, A. Kar'yalaynen pointed out that the mass information media in Finland and in the Soviet Union have contributed in no small degree to the dissemination of correct information and true estimates of the problems, nature and significance of Soviet-Finnish trade and economic relations. Today, we can say with satisfaction that preconceived opinions to a considerable degree do not exist and that the press is providing correct and useful information whose dissemination is an important precondition for the further development of these relations.

#### Large Scale, A Long Term Basis

N. N. Smelyakov, USSR deputy minister of foreign trade, devoted his report to an examination of the basic directions in the foreign economic policy of the USSR during the 11th Five-Year Plan and to an analysis of the status and prospects for Soviet-Finnish trade, economic, industrial, scientific, and technical cooperation.

Our country and all the Soviet people are consistently and steadily carrying out the policy, which was defined by the 26th CPSU Congress, of further expanding foreign trade and economic, scientific and technical cooperation with foreign countries. As a result, the foreign economic relations of the Soviet Union are becoming ever larger and more diverse. Cooperation with the socialist countries, to whom half of the USSR's foreign trade turnover falls, is being expanded and extended. Trade and economic relations with the developing countries, whose share in the Soviet Union's foreign trade turnover reached 15 percent last year, are growing and improving. The volume of foreign trade with industrially developed capitalist countries increased from 31.5 billion rubles in 1980 to 35.3 billion rubles in 1981 and was almost one-third of the USSR's foreign trade turnover.

N. N. Smelyakov emphasized that the Soviet Union, in adhering to the principles contained in the peaceful coexistence of states with different social systems, will continue to develop on a mutually beneficial basis economic relations with those Western countries which on their part display an interest in it. Considering the geographic proximity and mutually complimentary nature of their economies, the expansion of cooperation with Western European countries has special importance.

The relations between the USSR and Finland serve as a good example of equal and mutually beneficial cooperation between countries with different social systems. According to the volume of trade with our country, Finland occupies second place among the industrially developed capitalist states, yielding only to the FRG. In its turn, the share of the Soviet Union in the foreign trade turnover of Finland reached 24.1 percent in 1981.

The 1948 Treaty of Friendship, Cooperation and Mutual Assistance between the Soviet Union and the Republic of Finland has become the most important factor in the entire system of Soviet-Finnish relations. The treaty marked the beginning of the development of trade, economic and industrial cooperation between our countries on a long-range and planned basis. The long-term program for the development and expansion of trade, economic, industrial, scientific, and technical cooperation between our countries for the period out to 1990; the protocol to it, which extended the period of its effect out to 1995 and which defined more exactly and amplified its content; and the agreement on trade turnover and payments for 1981-1985 are the basic documents for Soviet-Finnish business relations at the present time.

It is estimated that the trade turnover volume will total 18-20 billion rubles during the period 1981-1985 and 22-24 billion rubles during 1986-1990. New cooperation avenues have been outlined in the construction of projects on the territory of the two countries, and the program for expanding production cooperation and specialization has been substantially expanded.

In 1981, the trade turnover between our countries was more than five billion rubles, that is, during one year it exceeded by more than fivefold the volume of the entire first 1951-1955 "trade five-year plan". The Soviet Union is the largest importer of Finnish ship-and machine-building products, wood and paper goods and fertilizer. Our purchases of agricultural products and consumer goods are increasing from year to year.

Energy sources -- oil, oil products, bituminous coal, coke, natural gas, and electricity -- form the basis of Soviet exports to Finland. Along with this, deliveries of chemical items, machines and equipment are growing. Based on the agreements concerning production cooperation and the protocol to the long-term program, an increase out to 1990 in the volume of deliveries of Soviet machines and equipment of two-threelfold in comparison with the present level is provided for.

The tempos in the development of trade between our countries testify to the fact that the trade turnover for 1981-1982 may reach 10 billion rubles, that is, half of that planned in the protocol to the long-term program for the volume of trade during the period 1981-1985; and by the end of the five-year plan it will evidently exceed the number planned for 1986-1990 in the long-term program.

Other forms of economic cooperation are being developed, especially the construction of industrial projects on the territory of both countries.

During the period 1981-1985, the volume of construction work by Finnish firms on the territory of the USSR may exceed one billion rubles. The construction of the Kostonukshskiy Mining Enrichment and the Svetogorskiy Cellulose and Paper Combines and hotels in Vyborg and Leningrad will continue. Negotiations are being held on the participation of Finnish firms in the construction of a number of new projects among which are a seaport in the area of the city of Tallinn, a depot for the repair of covered railroad cars at the Tosno station, a cargo terminal for the Sheremet'yev Airport in Moscow, and the construction and modernization of food, meat and dairy and light industry enterprises. Orders have already been placed in Finland for the delivery of housing and production buildings for the Urengoy-Uzhgorod gasline route.

The development of the technical potential of our countries is permitting an ever greater volume of mechanical and technical items to be drawn into the commodity turnover. In this area, potential opportunities for the further growth and diversification of Soviet-Finnish trade have been laid. A significant place in this process belongs to production cooperation. At the beginning of the current year, 12 agreements on cooperation and specialization of production were concluded with Finnish firms. A study is being conducted of more than 80 projects for cooperation, among them are an atomic icebreaker, modern ship equipment, special railroad freight cars, cellulose and paper equipment and machines for forestry, equipment to save electricity, medical linear accelerators, systems for the automatic processing of electrocardiograms, and much more. Scientific and technical cooperation and the expansion of exchanges of licenses and "know-how" are an important reserve for expanding Soviet-Finnish trade turnover, especially trade in machinery and equipment based on production cooperation. The foundations for this cooperation have already been laid.

Work on many avenues, which are important for the development of trade and industrial cooperation, is being performed within the framework of the Commission for Scientific and Technical Cooperation. Communications and transportation systems, cellulose and paper equipment, the construction materials industry, medical equipment, and the fuel industry are included in it. It is important that the shift from scientific and technical studies to trade and economic cooperation and to the commercial realization of these drafts be ensured in the minimum time.

The exploitation of the oil and gas deposits on the continental shelf of the Soviet Union's northern seas, the increase of natural gas deliveries from our country and the continuation of the construction of a gas line on Finnish territory could be large and long-range projects.

Of the other areas of cooperation which are of mutual interest, I would like to mention the following:

- deliveries of equipment and technology for the combined use of raw materials in the chemical industry, for the production of mineral fertilizers, and for other branches which require hydrocarbon raw materials;
- deliveries of equipment and technology for the reequipping of machine-building enterprises, especially the transportation engineering industry, and for the production of equipment for the oil, gas, light, and food industries;
- cooperation in the area of producing, storing, transporting, and processing agricultural products;
- cooperation in solving environmental protection problems, including the developing of measures to prevent pollution of the seas, rivers and other water reservoirs of the Arctic basin; and
- cooperation in the area of creating automatic production control systems and the broad use of electronic computers in the national economy.

The trade and economic relations system, which has taken shape between the USSR and Finland, and the high level of economic, scientific and technical development, which has been achieved by both countries, are determining the good prospects for mutually advantageous cooperation both in the traditional areas and in new ones.

The high level of Soviet-Finnish trade turnover testifies to the fact that the clearing system of balanced accounts has not only not interfered with the favorable development of bilateral relations but has also contributed to their more balanced development and -- for a number of branches of Finnish industry -- to an increase in the level of their ability to be competitive.

As the experience of more than 30 years of cooperation between our countries has shown, the conduct of trade on a balanced basis with accounts cleared requires that the partners continually work at expanding the trade base and at including new goods and services in it.

N. S. Patolichev, the USSR minister of foreign trade, pointed out during the 25th session of the Permanent Intergovernmental Soviet-Finnish Commission for Economic Cooperation in December of last year that our trade and economic relations with Finland are a substantial part of the plan for the USSR's social and economic development during the current five-year plan and for the long-term out to 1990. The stabilizing and positive influence of the timely planning of these relations has also been repeatedly noted in Finland.

In a joint Soviet-Finnish communique on the results of the recent visit of M. Koivisto, the president of the Republic of Finland, to our country it was said: "The Soviet Union and Finland will in the future exert efforts to develop bilateral economic relations. The parties affirm the intention of continuing the stable and balanced development of mutually beneficial trade on the basis of five-year agreements concerning trade and payments and the annual protocols concerning mutual deliveries of goods which define them more exactly. The active use of capabilities for the joint construction of industrial and other projects on the territory of both countries and for the development of production cooperation and specialization was admitted to be advisable."

The conduct of the Soviet-Finnish symposium in Helsinki on trade and economic cooperation questions is another confirmation of the firm intention of both parties to use every opportunity to develop the trade and economic relations between our countries further and to reveal new spheres and forms of cooperation.

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